

Message Text

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ACTION NEA-10

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R 240535Z SEP 76
FM AMEMBASSY DACCA
TO SECSTATE WASHDC 2201

C O N F I D E N T I A L DACCA 5004

FOR LANDE, NEA/PAB, FROM CHARGE

EO 11652: GDS
TAGS: EAID, BG, US
SUBJ: TITLE I

REF: A) STATE 233780; B) DACCA 4727

1. APPRECIATE YOUR MESSAGE BRINGING ME UP TO DATE ON
TITLE I STATE OF PLAY. AT OUTSET AND EVEN THOUGH WE DID
NOT HAVE HIGH EXPECTATIONS, I AM DISAPPOINTED TO LEARN
COTTON DEFINITELY WILL NOT BE AVAILABLE. THIS WOULD
HAVE BEEN THE MOST VALUABLE ITEM IN OUR SUGGESTED PRO-
GRAM. BDG NEEDS RAW COTTON NOW AND IS NOT GETTING IDA
FINANCING AT LEVELS HOPED FOR. IF COTTON IS NOT AVAIL-
ABLE THROUGH PL 480, ONE POSSIBILITY THAT MIGHT BE EXPLOR-
ED QUIETLY WITH AID IS WHETHER IT IS POSSIBLE TO CONSIDER
A COMMODITY IMPORT LOAN FOR COTTON WITH THE TAKA PROCEEDS
TO BE EARMARKED FOR THE BDG DOMESTIC PROCUREMENT PROGJMM
FOR PADDY AND WHEAT. WE RECOGNIZE THIS WOULD REQUIRE
EXTRAORDINARY EFFORTS BY AID TO GET APPROVAL AND WOULD
ALSO REQUIRE AN ADDITION TO THE DL ALLOCATION
FOR THE MISSION. HOWEVER, IT MAY BE WORTH A TRIAL
ON THE BASIS

OF PREVENTING ANY DRAMATIC DROP (FROM
DOLLARS 200 PLUS MILLION IN FY 76 TO MAXIMUM DOLLARS
150 MILLION IN FY 77) IN U.S. AID LECFLS TO BANGLADESH
WHICH MIGHT BE MISINTERPRETED AS A LACK OF SUPPORT FOR
THE CURRENT GOVERNMENT. FOR THE SAME REASON,
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AVAILABILITY OF OTHER COMMODITIES? SUCH AS TALLOW, UNDER

PL G.0 WOULD IMPROVE OUR SUPPORT POSTURE.

2. IN PERIOD BETWEEN REFTELS WE HAVE ACQUIRED NEW INFORMATION WHICH SUGGESTS THAT FOR FOOD YOUR QUOTE WORST CASE UNQUOTE IS BEING TRANSFORMED INTO ABOUT THE BEST WE CAN DO FOR BDG THIS YEAR AND NOT CONTINUE TO RUN RISKS ASSOCIATED WITH HIGH STOCK LEVELS AND LOW PRICES. (WE CONTINUE TO BELIEVE THAT FY 77 CROPS WILL BE GOOD.) THIS IS TO DAY, OUR REQUEST LIST WITH W UAT CLOSER TO 200,000 MT FOR THE YEAR COULD BE OUTER LIMIT OF WHAT COUNTRY CAN ABSORB. (AGRICULTURAL ATTACHES NOTES THAT BDG MIGHT WELL NEED ADDITIONAL 300,000 MT TO BE SHIPPED PRIOR END SEPTEMBER 1977.) VEG OIL MIGHT BE NEEDED IN FINAL QUARTER OF U.S. FISCAL YEAR. AGATT ESTIMATES UP TO 20,000 MT MIGHT BE SHIPPED BY SEPTMEBER 30, 1977.

3. ABOVE VIEW ON FOODGRAINS SUPPORTED BY RECENT REPORT FROM FOOD SECRETARY THAT JULY AND AUGUST RATION SYSTEM OFFTAKES UNSEASONABLY LOW AND PROSPECT FOR FUTURE OFFTAKES EQUALLY POOR. HE ANTICIPATES MONTHLY OFFTAKES WILL NOT EXCEED 100,000 MT THROUGH APRIL 1977. IN THIS SITUATION, EVEN OUR PROPOSED FIRST TRANCHE OF 200,000 MT TO ARRIVE BY JUNE 1977 COULD PROVE TO BE TOO MUCH BECAUSE IT COULD RESULT UNMANAGEABLE AND UNECONOMIC STOCK LEVELS OF 1 TO 1.1 MILLION MT BY 30 JUNE. (OF COURSE, MOST BDG OFFICIALS IN CONVERSATIONSIGITH US ARE PRESENTING DIFFERENT PICTURE AND OFFERING US SEPARATE SUPPORTING NUMBERS.)

4. ON BUDGETARY IMPACT ISSUE, THE BDG WILL ONLY GENERATE TAKA NEEDED TO FINANCE DEVELOPMENT BUDGET AS FAST AS IT CAN MOVE FOOD THROUGH THE JNTION SYSTEM. AS STATED ABOVE, THIS RATE HAS BEEN AND IS EXPECTED TO BE LOW. FOR THIS REASON WE MUST KEEP CLEAR THE DISTINCTION BETWEEN COMM#MENTS OF FOOD WILL NOT INCREASE RATIONS SYSTEM OFFTAKES ON TAKA GENERATIONS THIS BDG FISCAL YEAR. WE HAVE ALSO LEARNED THAT SEASONALLY WJUSTED DEVELOPMENT BUDGET EXPENDITURES ARE FAR BELOW PROJECTIONS. THIS
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COUPLED WITH DONOR AID PIPELINE OF ABOUT TWO BILLION DOLLARS MAKES IT PLAIN THAT BDG WEAKNESS CONTINUES TO BE ANNUAL DEVELOPMENT PLAN IMPLEMENTATION RATHER THAN TAKA SHORTAGE, AS SUCH.

5. ON THE SPECIFIC QUESTION CONCERNING BULK BROWN RICE, WE DO NOT CONSIDER THIS FEASIBLE BECUASE THERE IS INSUFFICIENT MILLING CAPACITY IN BANGLADESH AND THIS

COOODITY REQUIRES CONSIDERABLE HANDLING. FURTHERMORE,
BANGLADESH HAS NO USE FOR THE RICE BRAN AFI IT IS DIFFI-
CULT TO STOREIROWN RICE IN THIS HOT, HUMID CLIMATE,
WITHOUT THE OIL IN THE RICE BRAN POSSIBLY TURNING RANCID.
THEREFORE, DESPITE ITS LOWER COST AND FREIGHT RATESBJ
WE DO NOT HINK THIS A GOOD SUFFESTION. OF COURSE WE
GREATLY PERFER, AS DOESTHE BDG, WHEAT RATHER THAN RICE.

6. THE SHORT ANSWER IS YES TO WHAT WE THINK IS YOUR
PRINCIPLE QUESTION: WE CAN
LIVE WITH OUR REQUEST LIST
LESS COTTON. IT IS REGRETTABLE THAT IN RELATIVE TERMS
THIS YEAR UNDER TITLE I WE CANNOT SUPPLY WHAT THE BDG
DOES NEED, AND WHAT WE CAN SUPPLY THEY DON'T NEED.

7. WE ARE PLANNING A REGULAR NESSAGE NEXT WEEK
REQUESTING A PROMPT DECISION ON OUR RAW COTTON REQUEST SO WE MUV
INFORM THE BDG SO THEY MAY PLAN ACCORDINGLY. IF THERE
IS TO BE NO COTTON IN OUR PROGRAM, THE URGENCY OF
BEGINNING PL 480 NEGOTIATIONS NOW IS REDUCED.
CHESLAW

NOTE BY OC/T: DACCA 6004. #AS RECEIVED IN PARA 4. CORRECTION
TO FOLLOW.

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